

PRODUCTION  
State of Pol. Affairs

10 January 1967

MEMORANDUM FOR THE RECORD

**SUBJECT:** Meeting with Mr. Robert W. Barnett, Deputy Assistant Secretary, East Asian and Pacific Affairs, Department of State

**Participants:** Mr. Barnett, Mr. Wendell Woodbury, State  
Mr. Klaus Ruser, State  
Mr. Morell and [REDACTED]

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1. Mr. Barnett expressed interest in two subjects in connection with the forthcoming Hague meeting on the rescheduling of Indonesia's debt with Free World countries, as follows:

a. Soviet and Eastern Europe aid commitments and potentialities as they might have an impact on actual deliveries of commodities to Indonesia in 1967. He noted, for example, that somebody might be struck with the fact that the Indonesians have an outstanding \$200 million line of credit with the USSR. What was important, however, was not this sum, but what the Soviets could or would actually do that would have the effect of relieving the Indonesian balance of payments problem this year. Military and economic aid deliveries should be considered separately. In effect, this would be an updating of the material prepared for State by ORR for the Tokyo Club meeting.

**Action:** Chief, EEA

b. Any information on what the Indonesians are doing to encourage the USSR to "finalize" their debt rescheduling agreement. In addition, have either Djakarta or Moscow looked at the results of the December Paris Meeting and has the understanding reached there affected the earlier Indonesian-USSR agreement, as Barnett put it, in accordance with "the non-discrimination principle."

**Action:** Chief, EEA

2. Mr. Ruser noted that at the Paris Meeting, the IMF had circulated its version of the Indonesian agreement with the USSR, said version having been given the IMF by the Indonesians. He was curious about what we thought of the IMF version and in particular, the treatment of interest due as reported by the IMF. Mr. Barnett said that it would be better if Mr. Ruser went to the IMF first, and then asked us to comment on what the IMF said. And so it was left.

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3. There was a discussion of an exercise being carried out by the Japan Country Director, Mr. Snelder, involving a briefing of high-level Japanese government officials on the Chinese Advanced Weapons Program. The purpose of the exercise is to give the Japanese a realistic appreciation of what the Chinese are doing, to create a greater awareness among the Japanese of the value of their Security Treaty with the U.S. in the present circumstances, and to encourage the Japanese to withhold from the Chinese any items and any "know-how" which might contribute to Chinese progress. Barnett said he thoroughly approved of the Snelder exercise.

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5. Mr. Morell mentioned that we were working on the project, "Laos Beyond the Neutralization Period," and that we are having some problems with it. He expressed a desire to show the project to a knowledgeable person in the State Department who could comment on it and furnish guidance. He noted that efforts to involve Ambassador Unger had been unsuccessful. Mr. Barnett suggested Bill Hamilton, the Laos Desk Officer, and called Mr. Hamilton in our presence.

Action: Mr. Morell to telephone Mr. Hamilton when ORR is ready to talk.

6. Mr. Morell asked Mr. Barnett whether there was anything in particular Mr. Barnett would like to see us do in connection with current developments in China. Mr. Barnett replied that what was badly needed were interviews with refugees or defectors who had "been there," i.e., at places like Peking, Shanghai, and Nanking. Mr. Barnett's major point was that the information we are getting from China is primarily the product of a group of journalists who are not capable of generalizing on what they see there and who perhaps tended to sensationalize. He thought that it was perfectly possible that nothing very serious is going on in China, and that the speculation about power struggles, schisms in the hierarchy, and the like was badly overdrawn. It was also possible, however, that something really significant was occurring which could have a tremendous impact on China, and on U.S. policy toward China. His point was that there was no hard intelligence on which one could hang one's hat. The kinds of things he is principally interested in are matters outside the ken of ORR and the responsibility of OCI. He was referred to yesterday's Current Intelligence Bulletin (9 January) and it was suggested to him that OCI current reporting was his best present source. We noted that the only thing available which was close to what he wanted was the intelligence derived from [REDACTED] With respect to matters involving ORR, it was suggested that we might watch for such things as changes in exports and imports and developments in Chinese industry and agriculture. A watch on refugee flows was also mentioned. There was general agreement that the situation was most confusing and that we did not really know what was inside packages labelled "Red Guards," "Security Forces," etc. Finally, Barnett expressed an interest in the kinds of military or para-military forces available to mayors in China and in general the degree of control exercised over the PLA by central and local authorities respectively. He was interested in how local disturbances would be controlled.

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Chief, Economic Research Area, ORR

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